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SUBJECT: FOREIGN ASSISTANCE UNDER REVIEW IN MADAGASCAR

¶1. (SBU) SUMMARY: Although many donors in Madagascar are still deliberating on the future of their assistance programs, several missions have moved to suspend support to the High Transitional Authority (HAT) government and stop any new projects, but maintain non-governmental and humanitarian programs where possible. The notable exception is France, which intends to continue all functioning pre-coup programs without interruption; with France leading the upcoming European Union political dialogue with the HAT, the EU will likely be under pressure to follow suit. Most multilateral agencies are still waiting for member governments to determine their course of action, but in general, programs that existed before are continuing, while new ones are being put on hold. No donor has entirely suspended operations, most have yet to determine their final posture, and all are taking a "wait and see" approach to Madagascar's new government. END SUMMARY.

BILATERAL MISSIONS

¶2. (SBU) France is the largest bilateral donor to Madagascar, and will continue its programs uninterrupted to avoid "penalizing the Malagasy population", per an April 3 press release. The French embassy has indicated that it will not begin any new projects, but all pre-coup programs will continue, in line with EU policy. In coordination with the IMF, budget support remains frozen since December 2008, but will resume once the IMF does the same.

¶3. (U) Germany has "suspended its projects until further notice", pending decisions at the German MFA and within the European Union. The most immediate impact has been the withdrawal of German-funded technical advisors within several GOM ministries, and the continued freeze on budget support in coordination with the IMF. Germany will continue projects in the environmental domain that go directly to local communities, but no new projects will be launched at this time.

¶4. (U) Norway has frozen roughly USD \$14 million in bilateral aid programs that were going directly to government agencies, including the Ministry of Education, the anti-corruption bureau BIANCO, and the mining authority OMNIS. They continue to fund their non-governmental programs through UNICEF and the ILO, Norwegian missionaries, and the Electoral Institute of South Africa (EISA). The Norwegian mission is maintaining working level contact with the GOM as necessary, but not engaging with the HAT.

¶5. (U) Japan has "suspended bilateral assistance"; for the moment, that means they will continue honoring their current contracts but will not begin any new projects. Japanese humanitarian assistance largely focuses on food security and

funding for "microprojects" (which are not targeted to any particular sector), but they also are in the evaluation phase for larger infrastructure projects at the airport in Ivato and the port in Tamatave. They will continue work on these projects pending further decisions from Tokyo. The Japanese government does not recognize the HAT, but contacts at the embassy indicate that the infrastructure projects may continue if the HAT does not oppose them.

MULTILATERAL DONORS

¶16. (SBU) The European Union, under the local leadership of the French Ambassador, will be launching a political dialogue with the HAT during the week of April 13. The EU is waiting for this dialogue before taking any further decisions on aid programs; in the meantime, their sizable assistance continues uninterrupted (although the EU also froze budget support in December with the IMF). This current status, and the political dialogues, will last a maximum of 120 days, at which point the EU will make a final determination on its programs and relations with the HAT government. HAT PM Roindelo Monja has indicated to the media that he considers this a first move towards recognition from the international community, although EU officials have asserted that non-recognition of the HAT is still a possible outcome.

¶17. (U) The future of World Bank programs is currently pending further discussion at the Washington level, which should take place this week.

¶18. (U) Budget support from the International Monetary Fund

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remains frozen pending written responses from the GOM to questions posed in December 2008 concerning budgetary procedures, and tax and customs irregularities.

¶19. (U) African Development Bank National Coordinator Herivelo Razafindrainibe has stated in the media that ADB programs have been delayed by recent events, but that no decision has been made to suspend their projects. ADB programs are aimed at improving access to water and sanitation infrastructure, and food security.

¶10. (U) The multi-donor funded Health Global Fund will continue operations without interruption, while the Education Fast Track Initiative (managed by the World Bank) is waiting for a decision from the HAT government as to how it will continue its programs.

¶11. (U) The United Nations Development Program, the International Labor Organization, UNICEF, and the World Food Program are continuing their programs, but without direct interaction with the HAT where possible. UNESCO has suspended its educational program, which largely consisted of direct support to the government.

MARQUARDT